

***Michael C. Schlachter, CFA
Managing Director & Principal***

October 5, 2011

Dr. Lou Moret
Interim Chair, Investment Policy Sub-Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Internally Managed Global Equity Policy Changes

Dear Dr. Moret:

You requested Wilshire's opinion with respect to the proposed changes to the Internally Managed Global Equity policy as presented by Staff.

Recommendation

We recommend that the Policy Subcommittee approve the changes to the Internally Managed Global Equity policy as presented by Staff.

Background

The Investment Committee approved in August 2011 the graduation of the Internal Fan Strategy, which we supported in our letter of July 27, 2011. The policy changes presented by Staff add the guidelines for this new "full size" portfolio to the Internally Managed Global Equity policy.

These guidelines and the investment philosophy stated for the Fan strategy are unchanged from what they were when this portfolio was in development and are the same as was presented to the Investment Committee in August.

As a result, we believe that these policy changes are appropriate to implement the new portfolio that was approved by the Investment Committee.

Please let us know if you have any questions or comments.

Best regards,

A handwritten signature in black ink, appearing to read 'Michael J. Smith', with a long horizontal flourish extending to the right.